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Missouri Department of Higher Education

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30th
ANNIVERSARY

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Industry Bash: Regulatory & Legislative Updates

Presented by:
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Today's Agenda

- General overview of the Higher Education Opportunity Act (HEOA)
- Statutory and Regulatory changes since HEOA
- Provisions that directly affect financial aid offices



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Higher Education Opportunity Act (HEOA)

- Signed and enacted into law on August 14, 2008
- Reauthorized the Higher Education Act of 1965
- Most provisions effective on enactment date



Dear Colleague Letter GEN-08-12

- Issued 12/31/2008
- Summary of provisions of HEOA
- Includes chart of provisions by effective date



Recent & Forthcoming Activity

- 5/1/09 – Interim final rule issued for TEACH, ACG and SMART
- 7/1/09 – H.R. 1777 HEOA Technical Amendments Bill signed
- 8/14/09 – Private loan final rules issued by Federal Reserve System
- July & August, 2009 – 4 sets of NPRMs issued by USDE
- One NPRM still awaiting release
- New round of Negotiated Rulemaking announced



Private Loan Final Rules

- Final rule issued August 14, 2009 by the Federal Reserve System
- Amends Regulation Z to implement changes made to the Truth in Lending Act by the HEOA



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ACG/SMART/TEACH Final Rule

- Interim Final Rule issued May 1, 2009
- New Regulations reflect changes made to these programs by ECASLA and HEOA
- Effective date is July 1, 2009



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Technical Amendments Bill

- HR 1777 signed into law on July 1, 2009
- Bill makes technical corrections to HEOA and adds several new provisions



Negotiated Rulemaking

- Five negotiating teams created to form regulations to implement the HEOA
- Four NPRMs have been released so far
- Final rules will be released by Nov 1, 2009
- Effective date will be July 1, 2010



Negotiated Rulemaking Round 2

- The USDE is in the process of forming 2 new committees for negotiated rulemaking
- Team I – Program Integrity Issues
- Team II – Foreign School Issues



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Provisions Affecting Financial Aid Offices

- Code of Conduct
- Veterans Education Benefits
- Ability to Benefit
- Professional Judgment
- Cohort Default Rates
- Private Education Loans
- Preferred Lender Lists
- Loan Counseling
- Pell Grant
- Perkins Loan
- Other Program Changes



Code of Conduct

- As part of the PPA, schools are required to have a code of conduct with respect to Title IV loans
- Code of Conduct must:
 - Prohibit conflicts of interest with responsibilities of school officers, employees, or agents with respect to loans
 - Be published prominently on school's website
 - Be presented to all of school's officers, employees, and agents with loan responsibilities annually



Veteran's Education Benefits

- Effective 7/1/2009 all Veteran's Education Benefits are to be excluded from Other Financial Assistance
- H.R. 1777 includes new definition of Veterans Education Benefits
- Includes benefits provided to a spouse or child of a veteran

Ability to Benefit

- New method for students to meet the ability to benefit requirement
- Satisfactorily complete 6 credit hours or equivalent (225 clock hours) towards a degree or certificate program at your school



Professional Judgment (PJ)

- List of examples for possible reasons to use PJ to adjust EFC expanded to include:
 - Nursing home expenses
 - Dependent care expenses
 - Student who is a displaced worker



Professional Judgment (PJ)

- New authority to offer dependent student an unsubsidized loan without parent filling out FAFSA
 - If parent has ended financial support for student, and
 - Refuses to fill out the FAFSA
- Maximum loan amount is the base dependent annual amount plus \$2,000 additional unsubsidized
- Because the FAFSA will not have a valid EFC, the student would be ineligible for other Title IV aid except for possible PLUS loan from other parent

Professional Judgment (PJ) Documentation

- FAA must verify that parent(s) have ended all financial support for student and refuse to complete FAFSA
- Student self-certification is not sufficient
- Recommended— Signed and dated letter from parent stating when parent stopped supporting student, that parent will not provide support in future, and refuses to complete parental section of FAFSA
- If parental statement unavailable – documentation from third party required (e.g. teacher, counselor, clergy, etc)



Cohort Default Rates

- Beginning with the FY 2009 Cohort population, the default rate will be calculated using three years instead of two
- In FY 2012 the ineligibility threshold raises from 25 to 30 %
- In FY 2012 the exception threshold for multiple and delayed disbursement rules raises from 10 to 15 %
- During transition period, schools will receive a 2-year and 3-year rate
- No sanctions based on new 3-year rate until 2014



Private Education Loans

- Private education loans are now governed by the Truth in Lending Act and regulated by the Federal Reserve System
- Compliance with Regulation Z optional until Feb 14, 2010
- Lenders must obtain a self-certification form signed by the student
- Limitations placed on co-branding of loans and new disclosure requirements for lenders



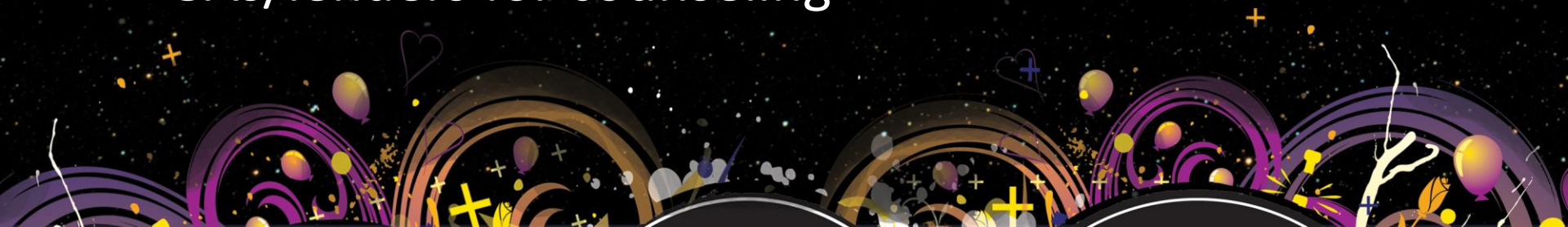
Preferred Lender Lists

- If using preferred lenders, school must meet the requirements for compiling, maintaining and publicizing a preferred lender list
- Title IV list must contain 3 unaffiliated lenders, private list must contain 2 unaffiliated lenders
- Dept of Education approved alternative to preferred lender list



Loan Counseling

- HEOA added entrance counseling and expanded exit loan counseling requirements for Stafford and Grad Plus borrowers to the Higher Education Act
- With passage of H.R. 1777, GAs/lenders can now personally conduct Entrance and Exit Counseling
- Schools can also use materials provided by GAs/lenders for counseling



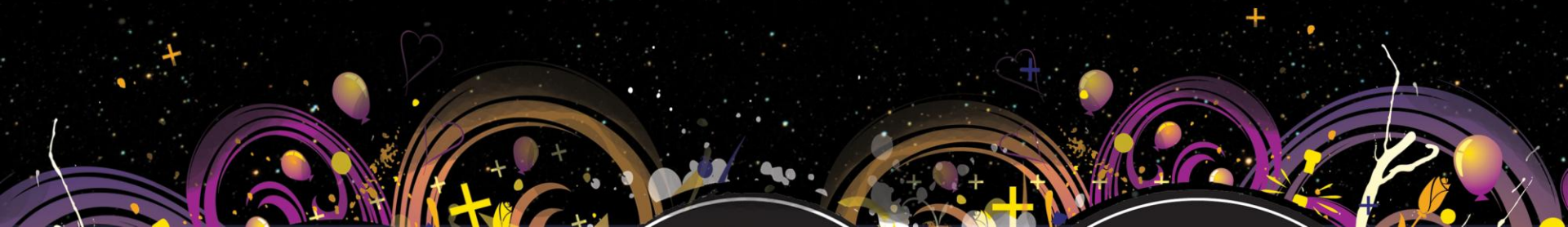
Pell Grant Changes

- Minimum annual award is changed from \$400 to 10% of maximum appropriated award
- Students may now receive two Pell grants in one award year
- 18 Semester limit for students first receiving Pell after 7/1/08



Proposed Pell Changes

- Student would have to complete one academic year before receiving second award
- Rule on reviewing transfer student's eligibility for second award
- Rule for determining which award year to pay from for a crossover period



Perkins Loan Changes

- Perkins annual and aggregate loan limits increased
- Schools may process verbal forbearances
- Rehab requirements reduced from 12 to 9 monthly on-time payments
- Borrowers may receive 100% military service cancellation



Other Title IV Program Changes

- Effective date for ECASLA changes to ACG/Smart programs changed from 1/1/09 to 7/1/09
- Provision to allow allotment transfers of 25% between campus-based programs expanded



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Update on FY 2010 Budget Proposals

- Student Aid and Fiscal Responsibility Act (SAFRA)
- H.R. 3221 passed by the House on 9/17/09.
- Currently awaiting Senate action



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Questions?

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